

Benevolent life insurance association; purely local character. A benevolent life insurance association that does not terminate membership when a member moves from the local area in which the association operates is of a purely local character and may qualify for exemption under section 501(c)(12) of the Code.

ISSUE

Is a benevolent life insurance association that does not terminate members' life insurance coverage when they move out of the local area an association of a purely local character within the meaning of section 501(c)(12) of the Internal Revenue Code?

FACTS

The association was formed to provide life insurance for its members. In order to be eligible for membership in the association, a person must be a resident of a particular rural community. The association does not require termination of membership when a member moves out of the local area in which the association conducts its business activities. The association otherwise qualifies for exemption from federal income tax under section 501(c)(12) of the Code.

LAW AND ANALYSIS

Section 501(c)(12) of the Code provides generally for the exemption from federal income tax of benevolent life insurance associations of a purely local character.

Section 1.501(c)(12)-1(b) of the Income Tax Regulations provides that an organization of a purely local character is one whose business activities are confined to a particular community, place, or district, irrespective, however, of political subdivisions.

Section 501(c)(12) of the Code and section 1.501(c)(12)-1(b) of the regulations do not require that members of an otherwise qualifying benevolent life insurance association must continually reside in the local area to retain membership. Thus, the requirement that business activities must be confined to a particular locality is satisfied if persons applying for membership in a local benevolent insurance association must reside in the local geographic area at the time of application.

HOLDING

A benevolent life insurance association, that otherwise qualifies for exemption from federal income tax under section 501(c)(12) of the Code, and that does not terminate membership when a member moves from the local area in which the association operates, is an association of purely local character within the

meaning of section 501(c)(12).

APPLICATION INSTRUCTIONS

Even though an organization considers itself within the scope of this revenue ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(12) of the Code. See section 1.501(a)-1 of the Income Tax Regulations. In accordance with the instructions to Form 1024, the application should be filed with the District Director of Internal Revenue for the key district indicated therein.